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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-67110

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: Evolution Capital Advisors L.L.C.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1100 Dexter Avenue

(No. and Street)

Seattle, WA 98109

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kirk Van Alstyne206-676-3889

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Smith Bunday Berman Britton, P.S.

(Name - if individual, state last, first, middle name)

11808 Northup Way, #240, Bellevue, WA 98005

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

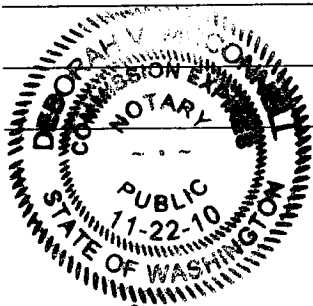
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Kirk Van Alstyne, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Evolution Capital Advisors LLC, as of February 16, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Troy Hartzell
PRESIDENT

Kirk Van Alstyne
Signature

Managing Member
Title
Kirk Van Alstyne

Deborah V. McConnell
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SMITH BUNDAY BERMAN BRITTON, P.S.

CERTIFIED PUBLIC ACCOUNTANTS

February 9, 2009

To the Members
Evolution Capital Advisors L.L.C.

Independent Auditor's Report

We have audited the accompanying statement of financial condition of Evolution Capital Advisors L.L.C. as of December 31, 2008 and 2007, and the related statements of earnings, changes in members' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evolution Capital Advisors L.L.C. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Smith Bunday Berman Britton, P.S.

EVOLUTION CAPITAL ADVISORS L.L.C.
STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash	\$14,351	\$70,897
Certificates of deposit	339,000	
Total cash in banks	<u>353,351</u>	<u>70,897</u>
Receivable from customers, net	40,656	29,500
Prepaid expenses	52	2,038
Investments	727,500	520,000
Equipment, net	2,623	
Deposits	<u>3,052</u>	<u>2,092</u>
Total assets	<u><u>\$1,127,234</u></u>	<u><u>\$624,527</u></u>
LIABILITIES		
Accounts payable	\$13,123	\$10,842
Referral fee obligation	<u>34,594</u>	<u>33,500</u>
Total liabilities	47,717	44,342
 MEMBERS' EQUITY	 <u>1,079,517</u>	 <u>580,185</u>
Total liabilities and members' equity	<u><u>\$1,127,234</u></u>	<u><u>\$624,527</u></u>

The accompanying notes are an integral part of these financial statements.

EVOLUTION CAPITAL ADVISORS L.L.C.
STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

REVENUES	2008	2007
Consulting income	\$1,804,000	\$1,304,000
Other income	18,282	35,325
Total revenues	<u>1,822,282</u>	<u>1,339,325</u>
EXPENSES		
Member compensation	984,932	648,876
SEP contribution	180,000	
Member health insurance	7,362	
Referral fee expense	2,187	67,000
Professional fees	40,762	24,177
Occupancy	25,461	21,169
Business taxes	30,401	15,741
Bad debt expense (recovery), net	(10,000)	15,000
Marketing and promotion	18,775	14,748
Communications and data processing	11,939	9,383
Other expenses	<u>31,131</u>	<u>20,093</u>
Total expenses	<u>1,322,950</u>	<u>836,187</u>
Net income	<u><u>\$499,332</u></u>	<u><u>\$503,138</u></u>

The accompanying notes are an integral part of these financial statements.

EVOLUTION CAPITAL ADVISORS L.L.C.
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>Capital contributed</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - January 1, 2007	\$72,000	\$5,047	\$77,047
Net earnings - 2007		503,138	503,138
Balance - December 31, 2007	72,000	508,185	580,185
Net earnings - 2008		499,332	499,332
Balance - December 31, 2008	<u>\$72,000</u>	<u>\$1,007,517</u>	<u>\$1,079,517</u>

The accompanying notes are an integral part of these financial statements.

EVOLUTION CAPITAL ADVISORS L.L.C.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net earnings	\$499,332	\$503,138
Adjustments to reconcile net earnings to net cash used in operating activities		
Non-cash revenue received	(207,500)	(520,000)
Depreciation	328	
Changes in operating assets and liabilities:		
Accounts receivable	(11,156)	13,650
Prepaid expenses and other assets	1,026	(317)
Accounts payable	2,281	3,588
Referral fee obligation	1,094	33,500
Net cash provided by operating activities	<u>285,405</u>	<u>33,559</u>
 Cash flows from investing activities		
Purchase certificates of deposit	(339,000)	
Purchase equipment	<u>(2,951)</u>	
Net cash used in investing activities	<u>(341,951)</u>	
 Net increase (decrease) in cash	(56,546)	33,559
 Cash at beginning of year	<u>70,897</u>	<u>37,338</u>
 Cash at end of year	<u><u>\$14,351</u></u>	<u><u>\$70,897</u></u>

The accompanying notes are an integral part of these financial statements.

EVOLUTION CAPITAL ADVISORS L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Evolution Capital Advisors L.L.C., (the Company) was formed on September 14, 2005 (date of inception) for the principal purpose of providing investment banking advisory services targeted at serving entrepreneurial stage technology firms in the western U.S. and Canada. Evolution provides corporate finance services including serving as a placement agent for issuers seeking early institutional capital financing and as an advisor on sell-side mergers and acquisition transactions. The Company is a registered broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA).

The Company began planned principal operations during 2006, providing services to customers throughout the greater Northwest. The Company operates from its office in Seattle, Washington.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Consulting income represents fees earned from providing advisory services. Consulting income is recorded in the month earned. Advance payments are deferred until earned. Success fees include fees earned from providing introductory and advisory services to companies involved in financing activities. Success fees are recorded at the time the financing is completed, the income is fixed and determinable and collectibility is reasonably assured.

On occasion, the Company may receive a portion of its fees in equity securities of its clients. These non-cash fees received are recorded at estimated fair value, which is generally based on the financing round the Company assisted with, and may include discounts for required holding periods or other factors. During 2008 and 2007, the Company's revenues included \$207,500 and \$520,000, respectively, of estimated fair value of warrants received in connection with clients' transactions.

NOTE 1 – continued:

Accounts Receivable

The majority of the Company's accounts receivable are due from companies in a variety of industries. Credit is extended on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within 30 days of invoicing and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to bad debt expense. The Company generally does not accrue interest on past due receivables. As of December 31, 2008, the Company's investment in receivables over 90 days past due totaled \$5,000 and its allowance for doubtful accounts totaled \$5,000. The Company's investment in receivables over 90 days past due totaled \$35,000 at December 31, 2007 and its allowance for doubtful accounts totaled \$15,000 at December 31, 2007.

Investments

None of the Company's investments are readily marketable at December 31, 2008 and 2007.

Investments equity securities of private companies are valued at investment cost (determined by the fair value of the securities received in exchange for services on the transaction closing date) in accordance with Accounting Principles Board (APB) No. 18, *The Equity Method of Accounting for Investments in Common Stock* APB No. 18, unless there has been a subsequent equity financing or a significant change in current operating performance that causes the Company to believe there has been an other than temporary decline in value. Reductions in value are made when, in the opinion of the managing member, events and circumstances indicate that there has been other than temporary impairment of value. The impairment is recognized as a loss in the year it occurs. Increases in value are only recognized upon sale of the investment.

The Company's investments are in smaller, less established companies, which involves greater risk than that generally associated with investments in more established companies. Less established companies tend to have a lower capitalization and fewer resources and, therefore, are more often vulnerable to financial failure. There is additional risk due to the concentration of the Company's investments within similar lines of business, as economic fluctuations would tend to affect the investments in a similar manner. The Company's investments are generally illiquid, non-marketable and long term in nature and there can be no assurance that the Company will be able to realize the value of its investments in a timely manner.

NOTE 1 – continued:

Equipment

Equipment consists of computer equipment and is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method, based on an estimated useful life of three years.

Income Taxes

The Company is a limited liability company that is treated as a partnership for federal income tax purposes, and therefore pays no federal income taxes. The profits and losses of the Company are allocated to its members and included on the members' tax returns.

Concentration of Credit Risk

Accounts maintained at the Company's bank are insured by the Federal Deposit Insurance Corporation (FDIC). The Company routinely maintains bank balances in excess of the FDIC insurance limit.

Use of Estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include timing of recognition of consulting and success fees, valuation of fees received in equity securities of its clients, and the allowance for doubtful accounts.

NOTE 2 - LLC AGREEMENT

The Company was formed as a limited liability company under the laws of the State of Washington and it has a perpetual term. The liability of its members is limited to the extent allowed by law.

The Company is authorized to issue one or more classes of units of limited liability company interest (Units) with specific rights, privileges, preferences and interests as designated by the Board at the time of issuance. The initial authorized units total 100, of which 100 have been issued. Distributions from operations will be made quarterly to members first based on Client Net Cash Flow, as defined in the operating agreement, and then in proportion to their respective Units. Distributions will be made annually in an amount equal to the tax obligations arising from the Company's activities. In all cases, distributions are subject to available cash as determined by of the Board.

NOTE 3 – NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which prohibits the Company from engaging in any security transactions at a time when its ratio of “aggregate indebtedness” to “net capital” exceeds 15 to 1, or the minimum “net capital” requirement is not met, as those terms are defined by the rule. During 2008 and 2007, the Company was required to maintain minimum net capital of \$5,000. As of December 31, 2008, the Company had net capital of \$305,634, which was \$300,634 in excess of its required minimum net capital. The Company’s ratio of aggregate indebtedness to net capital was .16 to 1 as of December 31, 2008. As of December 31, 2007, the Company had net capital of \$26,555, which was \$21,555 in excess of its required minimum net capital. The Company’s ratio of aggregate indebtedness to net capital was 1.67 to 1 as of December 31, 2007.

NOTE 4 – INVESTMENTS

At December 31, 2008 and 2007, the Company owned the following interests in the equity of its clients (stated at the lower of cost or estimated fair value):

	<u>2008</u>	<u>2007</u>
M2E: Warrants to acquire 311,160 shares of Series A Preferred Stock, expiration October 2017	\$225,000	\$225,000
Powerit: Warrants to acquire 136,695 of Series A Preferred Stock, expiration May 2017	225,000	225,000
Treemo: Warrants to acquire 54,816 shares of Series A-1 Preferred Stock, expiration September 2017	70,000	70,000
Novinium: Warrants to acquire 103,516 shares of Series C Preferred Stock, expiration March 2018	198,750	
Treemo: Warrants to acquire 6,852 shares of Series A Preferred Stock, expiration July 2018	8,750	
	<u>\$727,500</u>	<u>\$520,000</u>

NOTE 5 – RETIREMENT PLAN

In 2008, the Company established a Simplified Employee Pension plan (SEP) whereby the company may make contributions on behalf of its employees and members up to statutory limits. The Plan was established subsequent to the 2007 financial statement audit; however, because contributions in respect of any year may be made up through the extended due date of the return, the Company was able to make contributions on behalf of its members for both 2007 and 2008 in 2008. The 2007 contribution, which totals \$90,000, is recorded as a 2008 expense, as it is deemed to be a change in estimate for financial reporting purposes.

EVOLUTION CAPITAL ADVISORS L.L.C.
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION

Aggregate Indebtedness	
Total liabilities	\$47,717
	<hr/>
Aggregate indebtedness	<u>\$47,717</u>
Net Capital	
Member's equity	1,079,517
Nonallowable assets:	
Other assets	<u>(773,883)</u>
Net capital	<u>\$305,634</u>
Computation of Basic Net Capital Requirement	
Minimum net capital required	<u>\$5,000</u>
Excess net capital	<u>\$300,634</u>
Excess net capital at 1,000 percent (net capital, less 10% of aggregate indebtedness)	<u>\$300,862</u>
Ratio of aggregate indebtedness to net capital	<u>.16 to 1.00</u>

Note: The computation of net capital under SEC Rule 15c3-1 for the quarters ended March 31, June 30, September 30 and December 31, 2008 computed by Evolution Capital Advisors LLC in its unaudited Forms X-17a-5a, Part IIA, as filed with the Financial Industry Regulatory Authority does not differ materially from the above computation, which is based on information derived from its audited financial statements.

The Company is exempt from providing the schedules entitled "Computation of Determination of Reserve Requirements Under Rule 15c3-3" and "Information for Possession or Control Requirements Under Rule 15c3-3".

February 9, 2009

To the Members
Evolution Capital Advisors L.L.C.

**Report of Independent Certified Public Accountants on Internal Control
Required by SEC Rule 17a-5**

In planning and performing our audit of the financial statements and supplemental schedule of Evolution Capital Advisors L.L.C for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable

SMITH BUNDAY BERMAN BRITTON, P.S.

but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the members, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Smith Bunday Berman Britton, P.S.

SMITH BUNDAY BERMAN BRITTON, P.S.

EVOLUTION CAPITAL ADVISORS L.L.C.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2008 and 2007
INDEPENDENT AUDITOR'S REPORT**

**FEB 24 2009
Washington, DC
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